10-10

OCT 17 1963

CA2ON
Z 1
-63A22

Chairman Lancelot J. Smith, F.C.A. and Members,
The Ontario Committee on Taxation.

Sirs:

The Municipal Clerks and Finance Officers Association of Ontario is an incorporated organization of municipal officials to the number of 247. Of this membership, 29 are county officials, 60 are township officials and the balance are from urban municipalities. For the purposes of this submission it should be noted that membership in the Association is a personal one with the result that the Association is made up of officials in their individual capacities and not as representatives of the councils of the municipalities by which they are employed.

The Association received an invitation from your Secretary to make a submission to your Committee which invitation was appreciated. However, the Association holds only one meeting a year in the month of June so that it was not possible to prepare a submission presenting the views of the Association and to have it officially approved by the Association as a whole in time for presentation to your Committee.

The Board of Directors of the Association concluded that it was not in a position to make representations on behalf of the Association without first having the approval of the annual meeting of the substance of any recommendations. They, therefore, under date of 1 August 1963, invited the Members of the Association individually to submit their proposal with respect to the subject matter of your Committee's study which the Association would then forward to you incorporating them in a submission by the Association but not constituting an official statement of the views of the Association. The Members were advised that "what is wanted are your views as one having 'specialized knowledge' rather than the official views of your Council".

Attached hereto are the replies which the Secretary has received. In some cases these are individual opinions and in others they are a concensus agreed upon by members in particular areas who have met as groups to consider what submissions might be made. As it is always possible that the views of these members may not be in complete harmony with the official views of their employers, the names of the persons involved do not appear in this submission but are available to your Committee if requested.

R. G. Green
President

Grant Crayston
Secretary-Treasurer

October 1963

SUBMISSIONS BY MEMBERS OF THE MUNICIPAL CLERKS
AND FINANCE OFFICERS ASSOCIATION OF ONTARIO TO
THE ONTARIO COMMITTEE ON TAXATION
transmitted to the Committee
by the Association

A. In reply to your August 1st communication with respect to a possible brief to the Committee, I thought I would submit the following comments for your consideration as to their appropriateness or otherwise for inclusion in the brief. I apologize for being a wee bit late.

It seems to me that notwithstanding all the complaints concerning the limits and inflexibility of the property tax, it is likely to remain the major source of municipal revenue because the only two other avenues open for considerable amounts are the administrative nightmares, income and sales taxes. They wouldn't be politically popular either. I am also inclined to agree with Carl Goldenberg when he says he sees little difference between services to persons and services to property because services to property eventually benefit the owners and occupants of the property.

I don't agree that the property tax as a source of municipal funds is at its limit. Ten years ago that complaint was common and we know for a fact that the limit in those days has been exceeded by a large margin, as have many other such so-called limits or saturation points in the meantime. Those who said we have reached the limits have now been proven wrong in the past, and I think those who say it today are still wrong. As long as people can, anddo, afford expensive housing with two now frequently three cars in the driveway, and as long as the economy permits industrial and commercial developments to continue to grow across the Province, I fail to see how these same people, out of the economic growth

cannot afford the taxes on their property, which is indicative of their prosperity.

I suspect that those who feel the limit has been reached are caught up in a popular hysteria and haven't taken time to analyse the problem, to discover that the complaint stems more from the painful means of collection, than from the amounts collected. To this end I suggest improved collection methods, and specifically, a more frequent instalment system, would go a long way toward facilitating the continuance of property taxes as a chief source of funds. The administrative problems and costs in a bi-monthly or even a monthly payment system with provisions for necessary adjustments would not be insurmountable and might very well be justified by the results.

When I say I do not believe the property tax as a basis of municipal finance has been exhausted, I should hasten to add that I mean only as a general rule. Certainly there will be individual cases of hardship such as elderly persons living on fixed incomes, but these are more the exceptions than the general rule and I think any system has to be geared to the general rule, leaving the exceptions to be corrected by other means. In this case, the aid to the exceptions might have to be in the form of welfare, graded assessments and/or possibly rates, or something of that nature.

In this City, the tax sale lists in the 1960's are shorter than those of the thirties and this strengthens my feeling that in spite of all the fuss about high realty taxes, it still works pretty good and I expect this City is no different from most others.

There is a feeling by some persons that rental capitalization rather than replacement cost as a basis of

Digitized by the Internet Archive
in 2025 with funding from
University of Toronto

https://archive.org/details/submissionstaxat010onta

assessment might be more closely related to the wealth and ability to pay, and that it would more quickly respond to fluctuations in the economic climate of a community. It sounds like an interesting proposition and while I don't know enough about it to say more now, I think it might be worthy of careful consideration and study. It might closely follow up the concept of ability to pay, more so than the present method.

So much for property taxes. I would still go along with business tax subject only to a study of percentages and to see whether or not it is equitable under present conditions.

When it comes to other sources of revenue, my first reaction is that there is only one source and it's called people. I wouldn't spend much time considering license fees because they produce little in comparison to the effort involved, unless it's based on simple brazen extraction to get money, and to my mind this comes pretty close to extortion.

I would have no misgivings at all about reaching out for the profits from utilities, including parking lot revenues. I would even go farther and say these profits not only could be taken into general revenues, but they should be taken in. I think it's just as logical for profitable operations at the municipal level to assist those which are just as necessary, but which through no fault of their own are not profitable and therefore financed by taxation, as it is in private enterprise where for example the sales department profits are available to assist plant maintenance which is not a revenue producer.

I would also recommend the removal of exemptions in general including church properties and charitable insti-

tutions on the grounds that property values are not the best test, nor a proper basis for receiving financial assistance from the municipalities. You will recall at Honey Harbour I proposed to eliminate exemptions on municipally owned property in another municipality.

The fellows from Windsor will hit me for saying this, but I think a municipal tax on automobiles would be a practical and significant source of revenue. Since a very large percentage of municipal expenditures are directly attributable to autos it seems quite appropriate that the persons owning them should contribute toward the costs. It recognizes the principle of the user paying in accordance with his use, and while this principle breaks down when carried to its ultimate conclusion, nevertheless it still has some validity. The matter of whether to permit each municipality to make and collect its own levy, or whether it would be better to have it collected by the Province to be turned over to the municipalities would require further thought.

The system of senior governments paying money to municipalities (grants) should also be reviewed. There is much to be said for having one unit collect for another because of course the costs of collection are reduced by avoiding duplication. On the other hand the separation of authority to spend from responsibility to raise the money to be spent is basically unsound, as in the case of school board financing. On this point I have often thought that since Councils can never obtain budgetary control over education costs, the next best thing is to require the boards to make their own levies and carry out their own collection procedures.

On the subject of Provincial grants I am inclined to oppose specific grants based on prior expenditures by the

municipalities. I know the Province hopes by this system to encourage certain uniform standards in those areas where they deem them to be desirable, but because certain amounts are made available, there is a tendency to apply for these grants even though the need is not urgent, simply so as not to let anyone else get away with something. As "Life" magazine said editorially in a recent issue this system tends to encourage us to corrupt ourselves. I agree certain minimum standards ought to be established, below which no municipality should be required to sink due to financial limitations, and perhaps this is what the Province is doing with incentive grants. But beyond this floor of standards, I think each municipality could and should be sole judge of which services it prefers, even though its choices may appear foolhardy to others. In other words, we in _____ may elect to acquire an abundance of recreational facilities, while another City may prefer beautiful parks and cultural facilities. In the final analysis isn't it the business and right of each municipality to make such choice as its citizens prefer, and having done so to accept the responsibility for it.

To bring it about I would suggest that machinery is available, or if not then it could be made available, to measure the economic health of the municipalities. Those which were shown to be below the level deemed necessary to provide for the established minimum standards would receive Provincial assistance in excess of those with proven superior economic health.

This principle has been followed I think by the Federal Government when it establishes certain designated depressed areas in which tax concessions are allowed as encouragement and inducement to industry to locate or expand

in these areas. But most important of all, I believe the grants should be to the municipalities as much as possible as a matter of right, to be spent as each chooses. In this way I would hope red tape could be eliminated while local autonomy could be strengthened and at the same time a check would be placed on the tendency of the Provincial Government toward "big-brotherism". Personally I resent someone in the senior governments deciding what's best for me, especially before I have requested help. Altogether too many programs are created by politicians seeking favour and by civil servants seeking to enhance their empires and prestige, long before there is so-called public demand. We are frequently persuaded that we need something before it ever occurred to us out of our own experience.

I suppose I could go on forever discussing spending patterns, overlapping subsidies, (winter works, H.I.A., C.M.H.C. etc.), sales taxes and refunds, etc., but we must quit somewhere. There is just one more thing I want to mention though and it has to do with inconsistency in parking facilities (autos). I notice a growing tendency for school boards, libraries, and all sorts of boards, commissions, and agencies relying on tax help to provide off street parking for teachers, students, patrons, etc. This seems to be directly contradictory to council and parking authority policies of requiring payment for parking. If these latter policies are sound and I think they are, then why not extend them by making all such parking lots the responsibility of the council or parking authority so as to recover revenue from them. Surely if a taxpayer must feed a meter (or gate) while he pays his taxes to the collector he will have no cause for complaint where he stops to avail himself of a service like recreation or library. If he can afford a car

and gasoline to send his children to secondary schools he can also afford the parking fee - or let them use public transportation. (It's more economical anyhow).

Perhaps these ramblings are not in the form you would prefer but I trust they will in some way assist you in preparing the brief to the Committee on Taxation.

I wish you and those working with you in this effort every success because I feel quite strongly that the Association would be remiss if it did not accept and make good use of the invitation to work with the Committee on a matter so closely related to our professed purposes.

B. Dear Sir:

In answer to your request for my views on solutions to some of the problems related to taxation and sources of revenue to meet our needs.

Some time ago one of our Councillors gave his comments on a situation which I believe bear repeating. He visited a city in which were large industrial and commercial establishments which provided large assessment and revenue for that city and its needs. In that city there were very modern schools and all educational facilities. Just outside that city were large tracts of barren land where the residents managed to provide a living for themselves by whatever means possible. As a result the schools and educational facilities were very poor, a great contrast to their neighbours a few miles away. Apart from taxation this is very unfair. All children should be given equal educational opportunities in a prosperous country like ours.

The solution which the Councillor proposed was that if the Province would collect the taxes from the commercial and industrial assessment, or a sufficient percentage of it,

and in turn would pay all educational costs in the Province. I know this is a radical solution and would require great changes in legislation, however I believe it has merit. Commercial and industrial assessments are concentrated in comparatively small areas and produce large revenue. This should be more evenly distributed.

In our own case, we have a small village within driving distance of the City of Ottawa. About 75% of our people work there, but we must educate their children while Ottawa enjoys the revenue from all the commercial and industrial establishments where they work. This situation can, as you know, be found to exist many places in Ontario. We have a few stores and garages to serve our population with the essentials but most of the shopping for more expensive articles is done in Ottawa. We have no industries. Our cost of education is 71.61% of our total revenue this year.

I might comment on other things but this is our main trouble and a solution to it, if it could be accomplished.

C. Thanks for your circular letter of August 1st requesting submission of views on the taxation and revenue system in Ontario with respect to Municipalities and School Boards.

Without going into detail I would suggest that two areas of Provincial and Municipal relationships might be examined. The first of these is the established principle applicable to the collection and spending of taxation revenues where one branch of government acts as the collector and another branch or level of government disperses the funds. Under existing procedures there seems to be inequa-

lity and even lack of responsibility when public funds are dispersed by an agency, board or Municipality, which has not been required to raise these funds on its own initiative. Competition for these funds seems to be growing as made evident by demands of School Boards on Municipal Councils, Towns and Cities upon the Province, and the Province upon the Federal Government. Pending the adoption of improved fiscal techniques there appears to be little chance of the present policy being changed, but certainly the system should under-go examination and criticism.

The rather ponderous Grants System in Ontario as it applies to Municipalities might be examined. Each year brings yet another enactment for payment of grants to Municipalities for one type of expenditure or another, each requiring its own steps of administration. The staffs required in both Provincial and Municipal levels of government to administer project applications, on site inspections, submission of claims, and audits must contribute to a rather heavy dilution of the tax dollar. At the same time, many of the grants being paid are on the basis of percentage of expenditures incurred. There seems to be a tendency to increase local expenditures in areas where subsidy applies without proper attention to the reasonableness of the project. I have made note of the fact that in 1963, seventeen separate claims are being submitted by this Municipality, either on a monthly or on an annual basis to a senior level of government and this does not include health or education claims. Perhaps a single per capita grant payment would offer a more efficient distribution of Provincial funds to Municipalities.

I hope these reflections may be of some small assistance in the preparation of your submission to the Committee.

D. The following are the submissions resulting from a group of fourteen members of the Association in the Metropolitan Toronto area.

Question (1). "Is the property tax a suitable means of financing local government's share of the rapidly mounting educational and welfare costs? Should it be expected to continue producing about two-thirds of a billion dollars of annual revenue, and how long can it take its full share of future increases?"

Collective answer:

Services provided to persons, such as education, health and welfare, which, for reasons of administrative expediency, are best administered at the municipal level, nevertheless should be financed by the Provincial government. Under such circumstances, it may be necessary for municipalities to relinquish their authority to levy taxes on business assessment.

Question (2). "Is the property tax being made to carry the load by tipping the weight of the tax more heavily against business properties? Has the split mill rate started a trend which is likely to get out of control? Can this shift in tax incidence be defended on grounds of equity or mere expedience? If so much has to come from business, is the property tax and its business supplement the fairest and most reasonable way to tax business?"

Collective answer

In general, the burden of taxation on business properties is not unduly great but a review of the various rates applied to determine business assessment is needed to establish a more equitable distribution of taxes among the various types of commercial and industrial properties. Possible alternatives to the present method of taxing business through the property tax and its business supplement would

appear to offer little advantage. The principle of the "split mill rate" should be retained even if business assessments were to be relinquished to the Province under the circumstances referred to in the suggestions related to Question (1).

Question (3). "How important is it and how difficult would it be to move to a more current basis of valuation and uniform assessment across the province? Can other ways be devised to promote better property assessment?"

Collective answer :

There was general agreement among all members that uniform assessment across the province and a more current basis of valuation were desirable features. It was thought, however, that the question could be answered more fully and more appropriately by expert assessors, perhaps through their own organization.

Question (4). "If it is found that the property tax is somewhat deficient for future municipal areas, should some local responsibilities such as education, health units, children's aid and community recreation be taken over by provincial authority, with its wider and more ready choice of tax revenues, or should increased provincial grants or an actual share of present provincial levies be made available to local governments for these responsibilities?"

Collective answer:

The comments and summation with respect to Question (1) are applicable also to this Question.

Question (5). "What should be done to help municipalities which lack sufficient industrial and commercial properties to provide adequate and stable tax revenues? Would it be better if tax revenues were pooled and redistributed over underprivileged areas than most of the present municipalities. If the areas for revenue raising should be enlarged, can this be done without enlarging present municipal units such as town-

ships dating back to the 1790's and counties dating back to the 1840's? Should our Committee be concerning itself with fundamental reorganization of the municipal structure, or would it be merely tinkering with the tax system if it recommended tax changes without consideration of the size of taxing units?"

Collective answer:

Existing counties might be considered as the basic regional areas over which tax revenues could be pooled and redistributed if Counties were to be given powers and responsibilities similar to those of the Municipality of Metropolitan Toronto.

Question (6). "To what extent should local governments be supported by grants from the province? Are we concerned with the terms on which they are made? What effects do they have on the spending patterns of municipal councils and school boards?"

Collective answer:

If services to persons are recognized as the responsibility of the Province, then the costs of services to property need be shared with the Province only to the extent that there is a recognition of shared responsibility in certain such services.

Questions (7) and (8):

7. "Has local government enough flexibility when perhaps one-fifth of the annual budget is pre-committed to meet debt charges? Is the heavy dependence on capital borrowing symptomatic of sickness in the current revenue sources on which municipalities rely?"

8. "How far should we look in finding new sources of revenue? What about government-run lotteries, annual wealth tax, and removal of property tax exemptions to charitable organizations, churches and educational institutions?"

Collective answer:

In general, the members agreed with the following submission of one of their number, viz.

7. "I do not think that whatever flexibility there is left in local government is as yet seriously impaired as a result of levies for debt charges. However, I do think that the heavy dependence on capital borrowing is symptomatic of a much more serious sickness than lack of current revenue sources. It is symptomatic of the growing acceptance of the buy now - pay later economy which is prevalent in our daily economic life. This is one disease which the municipalities can cure themselves, and the provincial government can help in this cure. It is my opinion that the debenturing powers of municipalities are much too wide - even with the Ontario safeguard of the Municipal Board. With a good solicitor to interpret the statutes, you can now debenture for almost anything in the municipal field. As a result, substantial unnecessary debt is being incurred for non-essentials under the pressure of residents who leave the major portion of the debt to posterity."

8. "If the present system of keeping municipalities responsible for expenditures of national or provincial nature continues, then there should be no limit to our search for new revenue sources. I doubt that any government-run lotteries will ever be delegated to the municipal level. However, I do not discount this source of revenue. Any government that collects a pari-mutuel tax should not balk at a legitimately-run lottery. In a realistic sense, much money is and will continue to be spent on gambling. The diversion of a portion of this money to community purposes is both logical and comparatively painless. To remove the exemptions on charitable organizations, churches and educational institutions would only shift the financial

burden from the ratepayer's left pocket to his right one. In my opinion, any new source of revenue should be from non-essential spending, which is in essence a proposal for a limited sales tax. The present Ontario Sales Tax, with its realistic exemptions, has set a good pattern which could be expanded or modified on further study. Whatever new sources of revenue the municipalities may find and may be permitted to use, it should be remembered that any such revenue should reflect as a relief from the burden of property taxation, and not as a further incentive to non-essential spending under political pressure from the segment of our municipal population who figure 'the world owes me a living'."

However, some members felt rather strongly that there should be a careful review of the essential justification for property tax exemptions, in view of changing economic conditions and some apparent abuses of the exemption privilege.

E. The following are submissions resulting from a group of twelve members in the Hamilton area, viz.

1. THAT the Ontario Committee on Taxation be requested to look into the practicability of levying real estate taxes for those expenditures of municipal government which relate to or benefit real property and that sources of revenue other than from real estate taxes be used for the payment of municipal services which do not benefit real property to the same extent.

AND FURTHER THAT the following municipal services should be classed as being a benefit to real property:

General Government, including Planning

Protection to Persons and Property - Police, Fire, Building and Street Lighting

Public Works - Roads, excepting connecting links, Sewer Maintenance - storm and sanitary, Garbage

Collection, Waterworks

Local Parks and Recreation.

AND FURTHER THAT the following municipal services should be classed as not benefitting real property to the extent of the services mentioned above: Education, Hospitalization and Welfare, Road connecting links, Conservation and large area parks, Administration of Justice and Courts, Boards of Health and Health Units.

AND FURTHER THAT those services which are classed as non-benefitting to real property should not be administered at the municipal level; or alternatively, if all or part of the above services are to be administered at the municipal level, then the necessary funds should be raised by the Province by way of personal or corporate income taxes or some other form of taxation and paid to the municipality by way of a grant.

2. THAT the Ontario Committee on Taxation be requested to study and investigate the possibility of reducing the ever-increasing number of boards and commissions (e.g. Planning Boards, Conservation Authorities, Utility Commissions, etc.) on which members are appointed and for which the Council is expected to levy the necessary taxes, with a view to increasing the efficient operation of municipal government by making the body which is responsible for levying and collecting the said taxes be the body responsible for the manner in which they are spent.

3. WHEREAS the following grants are available to municipalities from the Provincial Government:

| | |
|---|---|
| Dept. of Highways | - Roads, bridges, and transportation studies |
| Dept. of Public Welfare | - Children's Aid, Welfare and Homes for Aged |
| Dept. of Municipal Affairs | - Unconditional, police, fire and winter works |

| | |
|---|---|
| Dept. of Agriculture | - Community Centres |
| Dept. of Education | - Education and Recreation |
| Liquor Control Board | - Policing |

AND WHEREAS inspectors and auditors are usually sent out to inspect and audit the books and records of the municipalities at some considerable expense to the provincial government;

AND WHEREAS the books and accounts of all municipalities are audited by auditors licensed by the Department of Municipal Affairs for the Province of Ontario;

AND WHEREAS it is the opinion of this association that municipal elected members and appointed officials are capable and able to direct all grants to those municipal projects from which the municipality would derive the most benefit;

AND WHEREAS it would appear that considerable savings could be made in the cost of government at both the municipal and provincial level if unconditional grants were made to municipalities on a per capita or other equitable basis.

THEREFORE BE IT RESOLVED THAT the Ontario Committee on Taxation be requested to study the possible savings to the provincial government and to the municipalities if unconditional grants were made to municipalities on a per capita or other equitable basis.

It was agreed that if Resolution #1 is accepted in its entirety, Resolution #3 would be unnecessary. The meeting agreed that #1 is more important than #3.

OCT 17 1963

10-10

MUNICIPAL CLERKS AND FINANCE OFFICERS ASSOCIATION OF ONTARIO

Special Meeting of Members in the Metropolitan Toronto Area held in Toronto on Wednesday, September 11, 1963, at 7:30 pm.

---

Purpose of Meeting

To obtain the personal views and opinions of Association members on matters related to the terms of reference of the Ontario Committee on Taxation, to be forwarded to the Secretary of the Association for incorporation into a brief to the Committee.

Members Present:

| | |
|---|---|
| Municipality of Metropolitan Toronto | John L. Pickard, Chief Accountant (Chairman) |
| Township of Etobicoke | F. H. Whelan, Treasurer |
| Village of Forest Hill | I. F. Cronsberry, Clerk-Treasurer |
| Town of Leaside | D. Barrett, representing C. H. Hiscott, Treasurer |
| Village of Long Branch | J. McIlroy, Clerk-Administrator |
| Town of Mimico | T. W. Rattle, Treasurer |
| Town of New Toronto | J. K. Ewen, Deputy-Treasurer |
| Township of North York | F. H. Brown, Finance Commissioner<br>D. G. McPherson, Deputy-Treasurer |
| Township of Scarborough | J. E. Prudham, Treasurer<br>R. A. Arnold, Deputy-Treasurer |
| City of Toronto | W. M. Campbell, Commissioner of Finance |
| Town of Weston | G. H. Clarkson, Clerk-Treasurer |

Secretary

J. W. Peat, Assistant Chief Accountant, Municipality of Metropolitan Toronto

Procedure

The Chairman opened the meeting by drawing attention to the main term of reference of the Ontario Committee on Taxation and to eight questions posed by Lancelot J. Smith, Chairman of the Committee, which were listed in the notice of meeting mailed to Association members in the Metropolitan Toronto Area on September 4th.

As a basis of procedure, the Chairman suggested that the eight questions be considered individually, while recognizing that certain of the questions appear to be inter-related. It was agreed that the opinions expressed by each member would be recorded and an attempt made to produce a collective answer to each question which best represented the views of the majority of members present at the meeting.

Mr. Whelan submitted written answers to all questions and suggested that these might be read to initiate discussion. It was agreed to proceed in this manner.

QUESTION (1)

"Is the property tax a suitable means of financing local government's share of the rapidly mounting educational and welfare costs? Should it be expected to continue producing about two-thirds of a billion dollars of annual revenue, and how long can it take its full share of future increases?"

Comments:

Mr. Whelan's written reply:

"No. Items such as education, welfare and health should not be confined by municipal boundaries, and should no more represent a charge against property than should national defence. Increasing grants from senior governments to lessen the burden of these costs will not solve the problem of true responsibility as long as such assistance bears the label of "Grants". The basic capital and current costs of education, welfare and health should be underwritten as a matter of "responsibility" by the level of government primarily responsible. Any excess over these basic costs should rightfully be charged to the property owners if they requisition such excess. It should be understood that "basic costs" may have to be regionally adjusted."

Mr. Campbell commented that services to the individual - education, welfare, health - should be financed on a different basis than the property tax. He suggested that, since commerce and industry bring both employment and unemployment, perhaps welfare costs should be financed entirely by commercial-industrial assessment. He added that health service does not observe local boundaries and therefore should be recognized as a responsibility of the senior levels of government. He pointed out that the Province is obviously aware of the increasing needs of education but that increased teachers' salaries, which require increased grants, result in an increase in flow of income tax to the Federal government. Mr. Campbell felt that there was a lack of financial support from Ottawa; that sales taxes and income taxes flow from municipalities to Ottawa but are not returned to the municipalities.

The Chairman asked whether, if the Province were to establish basic standards and costs of education, it should attempt to include therein salary scales for teachers on a provincial or regional basis. The concensus of opinion, expressed by Mr. Ewen, was that this would be discriminatory and therefore not desirable.

Mr. Brown contended that the Provincial government should be responsible for 100% of the costs of education, welfare and health, although such services should be administered by municipalities. He added that, if this were done, municipalities should be prepared to relinquish business taxes to the Province.

Various members - Mr. Prudham, Mr. Rattle, Mr. Ewen, Mr. Whelan, Mr. Campbell - spoke briefly in support of Mr. Brown's contention and the possible resultant transfer of the business tax field to the Province. Mr. Campbell noted that the Ontario Hospital Services Commission sets standards and meets costs of hospital care while leaving control in local hands and that this system was not necessarily more economic but was more equitable. Mr. Whelan commented that this was a significant point and should be stressed in the brief.

The Chairman asked whether it was reasonable to assume that municipalities would administer, in a responsible manner, services which are financed 100% by the Province. Mr. Whelan replied, and other members agreed, that municipalities would be fully aware of their responsibilities in administering such services as agents of the Province.

The Chairman then asked whether any recommendation that the Province assume 100% of the costs of certain services should include suggestions as to how the Province might finance the added burden. In general, members felt that this was unnecessary except to indicate that municipalities might be willing to relinquish business taxes to the Province. However, Mr. Prudham suggested that the Provincial sales tax could be increased for this purpose. He added that the only alternative to the Province assuming 100% of costs was to broaden the sources of revenue available to municipalities.

Summation: (collective answer)

Services provided to persons, such as education, health and welfare, which, for reasons of administrative expediency, are best administered at the municipal level, nevertheless should be financed entirely by the Provincial government. Under such circumstances, it may be necessary for municipalities to relinquish their authority to levy taxes on business assessment.

QUESTION (2)

"Is the property tax being made to carry the load by tipping the weight of tax more heavily against business properties? Has the split mill rate started a trend which is likely to get out of control? Can this shift in tax incidence be defended on grounds of equity or mere expedience? If so much has to come from business, is the property tax and its business supplement the fairest and most reasonable way to tax business?"

Comments:

Mr. Whelan's written reply:

"In my opinion the split mill rate is definitely tipping the weight of tax as indicated. The shift can be weakly defended as "expedient equity", in that business taxes are deductible for income tax purposes. I think it would be more equitable to make all municipal taxes deductible and restore the true mill rate levy. While the present methods of taxing business may not be the best, the possible alternatives (e.g. turn-over tax or profit tax) seem too cumbersome and too unpredictable for sound, economical municipal budgeting."

Mr. Whelan added, verbally, that business taxes are politically expedient. He felt that, although business taxes do not seem to constitute an undue burden at the present time, it would be unfair to continue to add to the burden which now exists.

Mr. Campbell remarked that business taxes might be too high already and that municipalities are afforded little protection against this type of taxation loss.

Mr. Ewen commented that, in his opinion, the tax burden on business properties is not too heavy but felt that the percentages of real property assessments used to establish business assessment should be reviewed and revised with a view possibly to increasing commercial percentages and decreasing industrial percentages. He then suggested that commercial and industrial businesses be charged for specific municipal services rendered. Most members agreed that service charges would be too cumbersome to administer and would offer no great advantage over the present system of taxing business properties.

Mr. Brown contended that the present business tax is inequitable and most difficult to apply and advocated its complete removal if responsibility for certain services were to be assumed by the Province.

Mr McIlroy obtained general agreement that the principle of a "split mill rate" should be retained even if business taxes were removed.

Summation:

In general, the burden of taxation on business properties is not unduly great but a review of the various rates applied to determine business assessment is needed to establish a more equitable distribution of taxes among the various types of commercial and industrial properties. Possible alternatives to the present method of taxing business through the property tax and its business supplement would appear to offer little advantage. The principle of the "split mill rate" should be retained even if business assessment were to be relinquished to the Province under circumstances referred to in the suggestions related to Question (1).

QUESTION (3)

"How important is it and how difficult would it be to move to a more current basis of valuation and uniform assessment across the province? Can other ways be devised to promote better property assessment?"

Comments:

Mr. Whelan's written reply:

"This is a matter for expert assessors to answer. As long as grants are tied to assessment, a uniform system is important. The enforcement of such a system, however, might require expensive policing."

Mr. Prudham stated that assessments should be brought up to a current basis of valuation, particularly since debt is related to assessment when determining the financial stability of any municipality.

Summation:

There was general agreement among all members that uniform assessment across the province and a more current basis of valuation were desirable features. It was thought, however, that the question could be answered more fully and more appropriately by expert municipal assessors, perhaps through their own Association.

QUESTION (4)

"If it is found that the property tax is somewhat deficient for future municipal needs, should some local responsibilities such as education, health units, children's aid and community recreation be taken over by provincial authority with its wider and more ready choice of tax revenues, or should increased provincial grants or an actual share of present provincial levies be made available to local governments for these responsibilities?"

Comments:

Mr. Whelan's written reply:

"This question is an extension of question no. 1, except that it brings up the problem of deficiency. In theory, municipal taxation levies should never reach the stage of deficiency, since mill rates could increase indefinitely. The real questions here are (1) ability to pay and (2) consent to pay such levies. I think the basic problem here is not rooted in the question of deficiency, if it ever occurs. It refers back to the main issue of just what property tax at the municipal level should pay for. I believe the true concept is that property tax should (a) pay for services directly benefiting property (roads, utilities, protection, etc.) and also for services optional to and directly arising from residence in the community (e.g. recreation, rinks, parks, etc.). As mentioned in my notes on question 1, the determination of the field of responsibility comes first and should not await the arrival of a tax deficiency problem in any field."

Summation:

Mr. Brown expressed the view, which was shared by the other members, that the comments and summation with respect to Question (1) are applicable also to this question.

QUESTION (5)

"What should be done to help municipalities which lack sufficient industrial and commercial properties to provide adequate and stable tax revenues? Would it be better if tax revenues were pooled and redistributed over wider areas than most of the present municipalities? If the areas for revenue raising should be enlarged, can this be done without enlarging present municipal units such as townships dating back to the 1790's and counties dating back to the 1840's? Should our Committee be concerning itself with fundamental re-organization of the municipal structure, or would it be merely tinkering with the tax system if it recommended tax changes without consideration of the size of taxing units?"

Mr. Whelan's written reply:

"The proposal to pool tax revenues is in essence a proposal to abolish the autonomy of any municipality. In essence, it predicates the following:

(a) the right to control a tax rate by living within sensible budget limitations is abnegated.

(b) the principles of proper planning and all such regulatory matters as building and zoning restrictions lose their economic value to the individual municipality. Selfish all-residential developments would capitalize on the good housekeeping of other municipalities.

(c) the principles of good municipal government would be lost in the general attitude of indifference to economic responsibility.

Any re-organization of present municipal taxing units in any category - County, City, Town, Township or Village - should be only on the basis of correcting obvious fiscal or geometric anomalies and inequities arising from causes other than inept or careless local government."

Mr. Campbell commented, paradoxically, that industrial and commercial properties are not only revenue-producing but also create high expenditures for municipal services. He pointed out that the City of Toronto, with a relatively high ratio of industrial and commercial assessment, also has the highest mill rate of any municipality in the Metropolitan Toronto Area, in part due to the burdens which go with such assessment. Mr. Ewen and Mr. Whelan agreed with Mr. Campbell citing, as examples, the widening and resurfacing of streets, and the renewal of other services which are often required mainly for, or because of, industrial and commercial properties.

The Chairman asked whether pooling and redistribution of tax revenues, if desirable, might be effected on a County basis with special consideration being given to certain regional areas throughout the province which have special problems, such as obsolescense of municipal plant facilities.

Mr. Ewen replied that existing Counties could take a more active role in local government if they were given powers and responsibilities similar to Metropolitan Toronto and that any redistribution of tax revenues from industry and commerce might apply over county areas. Other members indicated agreement

in principle, while pointing out that if certain services were assumed by the Province, as suggested previously, the financial difficulties of municipalities would be lessened.

Summation:

Existing Counties might be considered as the basic regional areas over which tax revenues could be pooled and redistributed if Counties were to be given powers and responsibilities similar to those of the Municipality of Metropolitan Toronto.

QUESTION (6)

"To what extent should local governments be supported by grants from the province? Are we concerned with the terms on which they are made? What effect do they have on the spending patterns of municipal councils and school boards?"

Mr. Whelan's written reply:

"My opinions on this are partially outlined in remarks on questions 1 and 4. The word "Grants" is a political misnomer. Actually more money than is given under the patronizing guise of grants is due in equity to the municipalities in view of the unwarranted responsibilities placed on them by senior government. When such grants are subject to conditions, they simply result in municipal spending without a municipally controlled policy. There is a grave danger that conditional grants may revert, in toto, to a weapon for other levels of government to use the municipal level for political propaganda purposes. The effect of many such grants in certain phases of both municipal and educational spending has been to start a "Great White Father" complex. In many cases, no relief to the basic ratepayer seems apparent, and only a spending splurge results. If there is any merit for continuing the system of grants in its present form, I think it should be conditional on a corresponding measure of controlled expenditure at the municipal level. Unfortunately, the pattern now is the more you spend - the more you get."

Mr. Ewen expressed objection to unconditional grants. He said that the basis for payment of an unconditional grant would not necessarily be related to the needs of a particular municipality, such as a major roads resurfacing programme in an older, built-up area.

Mr. Barrett agreed with Mr. Ewen and commented that unconditional grant monies may be spent by municipal councils in any way they choose and this could defeat the purpose of trying to assist a municipality in its particular needs.

Mr. Brown stated that most services to property are matters of purely local responsibility and should not be grant-aided; other services to property are matters of shared responsibility with the Province and expenses should be shared accordingly. Mr. Whelan agreed, citing the example of roads as a shared responsibility.

Mr. Prudham questioned the need of varying grant percentages for different municipalities in the same general area - for example, a roads subsidy of 33 1/3% for some municipalities and 50% for others.

Summation:

If services to persons are recognized as the responsibility of the Province, then the costs of services to property need be shared with the Province only to the extent that there is a recognition of shared responsibility in certain such services.

It was decided to deal with Questions 7 and 8 together.

QUESTIONS (7) AND (8)

7. "Has local government enough flexibility when perhaps one-fifth of the annual budget is pre-committed to meet debt charges? Is the heavy dependence upon capital borrowing symptomatic of sickness in the current revenue sources on which municipalities rely?"

8. "How far should we look in finding new sources of revenue? What about government-run lotteries, annual wealth tax, and removal of property tax exemptions to charitable organizations, churches, and educational institutions?"

Mr. Whelan's written replies:

(7) "I do not think that whatever flexibility there is left in local government is as yet seriously impaired as a result of levies for debt charges. However, I do think that the heavy dependence on capital borrowing is symptomatic of a much more serious sickness than lack of current revenue sources. It is symptomatic of the growing acceptance of the buy now - pay later economy which is prevalent in our daily economic life. This is one disease which the municipalities can cure themselves, and the

provincial government can help in this cure. It is my opinion that the debenturing powers of municipalities are much too wide - even with the Ontario safeguard of the Municipal Board. With a good solicitor to interpret the statutes, you can now debenture for almost anything in the municipal field. As a result, substantial unnecessary debt is being incurred for non-essentials under the pressure of residents who leave the major portion of the debt to posterity."

(8) "If the present system of keeping municipalities responsible for expenditures of national or provincial nature continues, then there should be no limit to our search for new revenue sources. I doubt that any government-run lotteries will ever be delegated to the municipal level. However, I do not discount this source of revenue. Any government that collects a pari-mutuel tax should not balk at a legitimately-run lottery. In a realistic sense, much money is and will continue to be spent on gambling. The diversion of a portion of this money to community purposes is both logical and comparatively painless. To remove the exemptions on charitable organizations, churches and educational institutions would only shift the financial burden from the ratepayer's left pocket to his right one. In my opinion, any new source of revenue should be from non-essential spending, which is in essence a proposal for a limited sales tax. The present Ontario Sales Tax, with its realistic exemptions, has set a good pattern which could be expanded or modified on further study. Whatever new sources of revenue the municipalities may find and may be permitted to use, it should be remembered that any such revenue should reflect as a relief from the burden of property taxation, and not as a further incentive to non-essential spending under political pressure from the segment of our municipal population who figure 'the world owes me a living'."

Mr. Prudham observed that questions 7 and 8 are related closely to question 1 and that if the proposals put forth with respect to question 1 are not acceptable, new sources of revenue must be found. There was general agreement with the remarks of Mr. Whelan in his written answers to both questions. However, Mr. Campbell, Mr. Prudham and Mr. Ewen expressed views in favour of removal of property tax exemptions.

Mr. Campbell remarked that hospitals are exempt from taxation and that some hospitals place the operation of parking lots in the hands of private operators who operate them in return for a fixed sum, the balance being paid to the hospital. He said that such parking lots are not restricted to hospital visitors and are, in effect, business operations which are exempt from taxation. He added that many non-profit organizations are offshoots from commercial and industrial undertakings; yet they remain tax exempt. He concluded that the multitude of tax exemptions is a matter of growing concern and requires rationalization.

Summation:

In general, the members agreed with Mr. Whelan's written replies to questions 7 and 8 with the exception that some members felt rather strongly that there should be a careful review of the essential justification for property tax exemptions, in view of changing economic conditions and some apparent abuses of the exemption privilege.

The meeting adjourned at 10:30 pm.

Secretary

Chairman